



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

November 16, 2000

MEMORANDUM FOR COMMISSIONER ROSSOTTI

A handwritten signature in cursive script, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Office of Audit's Comments Concerning Management's
Response to the Management Advisory Audit Report,
*"Strategic Planning for Toll-Free Telephone Operations
Has Made Significant Progress, But Further
Improvements Are Needed"*

This memorandum presents our concerns with the Internal Revenue Service's (IRS) response to the management advisory audit report, *"Strategic Planning for Toll-Free Telephone Operations Has Made Significant Progress, But Further Improvements Are Needed"* (Reference Number 2001-30-006). The response to the report was received after the final report was released.

The IRS' Customer Service management stated they agreed with the report's recommendations. However, the response needs more specific details on planned corrective actions for the three recommendations. Without this detail, we were unable to determine what, if any, specific actions management plans to take.

Recommendation 1: The Chief, Customer Service Field Operations, should conduct a thorough analysis of toll-free telephone customer needs by using resources available at the Customer Service Operations Center (CSOC) and by working and/or contracting with other groups. These might include those inside the IRS (such as the Compliance Research offices of Statistics of Income and National headquarters Research and Analysis) and outside the IRS (such as AT&T).

Management's Response: Over the past year, the IRS used resources within the CSOC to analyze customer behavior and determine why customers use toll-free telephone services. For example, in one study we found that refund inquiries increase as e-filing volumes increase. Even though e-file returns are processed

quickly and refunds are rapidly generated, the refunds are not nearly as fast as customers expect. We plan to continue these analyses as the CSOC transitions to the Joint Operations Center (JOC). In addition, we will use the services of internal research groups and assistance from the public and private sector to enhance our analysis.

Office of Audit Comment: The response is very general, describing one study that was previously done but not providing any specifics on future actions. The recommendation focuses on obtaining taxpayer and stakeholder input into the planning process. The IRS response requires further detail to determine whether the proposed corrective actions will be effective in correcting the problem.

Recommendation 2: To effectively manage their annual plans to help achieve strategic goals, the Wage and Investment (W&I) and the Small Business/Self-Employed (SB/SE) Divisions and the JOC need to develop tracking systems that set specific management accountability and clearly defined timetables, have the ability to track costs, and tie into a quality measurement process. Such a system will enable management to more quickly respond to problem areas as well as to more effectively plan for future years.

Management's Response: The IRS has instituted a new strategic planning process for FY 2001, which includes a system for business performance reviews. Within that system, we are developing an annual business plan which specifies operational priorities and improvement projects and identifies actions, milestones, responsible organizational components, and measures. Since we are in transition, the FY 2001 process will be a somewhat modified version of our future processes. Nonetheless, we anticipate it will help us monitor the effectiveness of our planning and develop our long-range strategies.

Office of Audit Comment: The IRS management response does not address a **tracking system**, although the introductory portion of the response stated that they agreed that they "...need to develop tracking systems that set specific management accountability, track costs and tie to the measurement process...." The response mentions an annual business plan; however, that is not the same as a control system which tracks the progress of that plan. In addition, the response states that the monitoring plan for this item is bi-monthly performance reviews with the Commissioner and the operating division commissioners. Time sensitive actions may require tracking systems more at the operational and tactical levels.

Recommendation 3: The W&I and SB/SE Divisions and the JOC need to develop more detailed multi-year plans, as well as annual plans, that identify the specific impact that planned actions are expected to have on the stated strategic plan goals.

Management's Response: The strategic planning process and its related components referenced above are multi-year efforts.

Office of Audit Comment: The IRS management response does not address the portion of the recommendation which states that annual plans should identify the specific impact of planned actions on strategic goals.

We are raising these concerns for your information. No further actions or response to this memorandum are necessary.

Copies of this memorandum are also being sent to the IRS managers who received a copy of the final report. Please contact me at (202) 622-6510 if you have questions, or your staff may call Gordon C. Milbourn III, Associate Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-3837.